

# HOUSE BILL 661

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By: **Delegates Smigiel, McDermott, Cluster, McComas, and Serafini**

Introduced and read first time: February 8, 2012

Assigned to: Appropriations

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## A BILL ENTITLED

1 AN ACT concerning

2 **State Retirement and Pension System – Local Employer Contributions –**  
3 **Educators and Educational Staff**

4 FOR the purpose of providing for the calculation of a payment of a certain portion of  
5 employer contributions for certain members of the Teachers' Retirement System  
6 or the Teachers' Pension System; requiring counties to pay a certain amount of  
7 employer contributions for certain members of the Teachers' Retirement System  
8 or the Teachers' Pension System; requiring the State to pay, under certain  
9 circumstances, a certain portion of certain employer contributions for certain  
10 members of the Teachers' Retirement System or the Teachers' Pension System;  
11 altering the amount of employer contributions the State is required to pay for  
12 certain members of the Teachers' Retirement System or the Teachers' Pension  
13 System; providing for the method of payment each county is required to make to  
14 the Board of Trustees for the State Retirement and Pension System regarding a  
15 certain portion of employer contributions for certain members of the Teachers'  
16 Retirement System or the Teachers' Pension System; requiring the State Board  
17 of Education and the Maryland Higher Education Commission to submit certain  
18 information to the Board of Trustees on or before a certain date and requiring  
19 the Board of Trustees to make a certain determination based on the submitted  
20 information; defining certain terms; and generally relating to the payment of  
21 employer contributions for members in the State Retirement and Pension  
22 System who are educators or educational staff.

23 BY repealing and reenacting, with amendments,  
24 Article – State Personnel and Pensions  
25 Section 21–304 and 21–308  
26 Annotated Code of Maryland  
27 (2009 Replacement Volume and 2011 Supplement)

28 BY adding to  
29 Article – State Personnel and Pensions

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Section 21-309.1  
2 Annotated Code of Maryland  
3 (2009 Replacement Volume and 2011 Supplement)

4 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
5 MARYLAND, That the Laws of Maryland read as follows:

6 **Article – State Personnel and Pensions**

7 21-304.

8 (a) (1) In this section the following words have the meanings indicated.

9 (2) “Preliminary funding rate” means the sum of:

10 (i) the aggregate normal rate that is based on the normal  
11 contribution rate calculated under subsection [(c)] **(D)** of this section; and

12 (ii) the aggregate unfunded accrued liability contribution rate  
13 that is based on the unfunded accrued liability contribution rate under subsection  
14 [(d)(1)(i)] **(E)(1)(I)** and (ii)1 and 2 and (2) of this section.

15 (3) “Funding ratio for the employees’ systems” means the actuarial  
16 value of assets for the employees’ systems divided by the actuarial accrued liability for  
17 the employees’ systems.

18 (4) “Funding ratio for the teachers’ systems” means the actuarial  
19 value of assets for the teachers’ systems divided by the actuarial accrued liability for  
20 the teachers’ systems.

21 **(5) “LOCAL EMPLOYEES” MEANS THOSE MEMBERS OF THE**  
22 **TEACHERS’ RETIREMENT SYSTEM OR THE TEACHERS’ PENSION SYSTEM WHO**  
23 **ARE:**

24 **(I) EMPLOYEES OF A DAY SCHOOL IN THE STATE UNDER**  
25 **THE AUTHORITY AND SUPERVISION OF A COUNTY BOARD OF EDUCATION OR THE**  
26 **BALTIMORE CITY BOARD OF SCHOOL COMMISSIONERS, EMPLOYED AS:**

27 **1. A CLERK;**

28 **2. A HELPING TEACHER;**

29 **3. A PRINCIPAL;**

30 **4. A SUPERINTENDENT;**

1                                   **5. A SUPERVISOR; OR**

2                                   **6. A TEACHER;**

3                                   **(II) LIBRARIANS OR CLERICAL EMPLOYEES OF A LIBRARY**  
4 **THAT IS ESTABLISHED OR OPERATES UNDER THE EDUCATION ARTICLE; OR**

5                                   **(III) FACULTY, PROFESSIONAL, OR CLERICAL EMPLOYEES OF**  
6 **A COMMUNITY COLLEGE THAT IS ESTABLISHED UNDER THE EDUCATION**  
7 **ARTICLE.**

8                                   **(6) “LOCAL SHARE” MEANS THAT PORTION OF THE TOTAL**  
9 **EMPLOYER CONTRIBUTION FOR LOCAL EMPLOYEES THAT IS SOLELY**  
10 **ATTRIBUTABLE TO LOCAL EMPLOYEES HIRED ON OR AFTER JULY 1, 2011.**

11                                   **[(5)] (7) “State member” does not include a member on whose behalf**  
12 **a participating governmental unit is required to make an employer contribution under**  
13 **§ 21–305 or § 21–306 of this subtitle.**

14                                   **(8) “TOTAL EMPLOYER CONTRIBUTION FOR LOCAL EMPLOYEES”**  
15 **MEANS THAT PORTION OF THE EMPLOYER CONTRIBUTION CALCULATED UNDER**  
16 **SUBSECTION (B) OF THIS SECTION THAT IS ATTRIBUTABLE TO THE LOCAL**  
17 **EMPLOYEES OF EACH COUNTY.**

18                                   **(b) (1) [Each] EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS**  
19 **SECTION, EACH** fiscal year, on behalf of the State members of each State system, the  
20 State shall pay to the appropriate accumulation fund an amount equal to or greater  
21 than the sum of the amount, if any, required to be included in the budget bill under §  
22 3–501(c)(2)(ii) of this article and the product of multiplying:

23                                   **(i) the aggregate annual earnable compensation of the State**  
24 **members of that State system; and**

25                                   **(ii) 1. for State members of the Law Enforcement Officers’**  
26 **Retirement System, State Police Retirement System, and the Judges’ Retirement**  
27 **System, the sum of the normal contribution rate and the accrued liability contribution**  
28 **rate, as determined under this section;**

29                                   **2. for State members of the Employees’ Pension System,**  
30 **Employees’ Retirement System, Correctional Officers’ Retirement System, and**  
31 **Legislative Pension Plan, the employees’ systems contribution rate determined under**  
32 **subsection [(e)] (F) of this section; or**

1                   3.     for State members of the Teachers' Pension System  
2 and Teachers' Retirement System, the teachers' systems contribution rate determined  
3 under subsection [(f)] (G) of this section.

4                   (2)     The amount determined under paragraph (1) of this subsection for  
5 each State system shall be based on an actuarial determination of the amounts that  
6 are required to preserve the integrity of the funds of the several systems using:

7                   (i)     the entry-age actuarial cost method; and

8                   (ii)    actuarial assumptions adopted by the Board of Trustees.

9                   (3)     For the purpose of making the determinations required under this  
10 section:

11                   (i)     the Employees' Retirement System, the Employees' Pension  
12 System, the Correctional Officers' Retirement System, and the Legislative Pension  
13 Plan shall be considered together as one State system; and

14                   (ii)    the Teachers' Retirement System and the Teachers' Pension  
15 System shall be considered together as one State system.

16                   **(C) (1) (I) THIS PARAGRAPH DOES NOT APPLY TO BALTIMORE**  
17 **CITY COMMUNITY COLLEGE.**

18                   **(II) BEGINNING JULY 1, 2013, ON BEHALF OF THE LOCAL**  
19 **EMPLOYEES OF EACH COUNTY, EACH COUNTY SHALL PAY EACH FISCAL YEAR TO**  
20 **THE APPROPRIATE ACCUMULATION FUND AN AMOUNT EQUAL TO OR GREATER**  
21 **THAN THE LOCAL SHARE OF THE TOTAL EMPLOYER CONTRIBUTION FOR LOCAL**  
22 **EMPLOYEES.**

23                   **(III) 1. FOR A REGIONAL COMMUNITY COLLEGE, AS**  
24 **DEFINED UNDER § 16-202 OF THE EDUCATION ARTICLE, THE OBLIGATION OF**  
25 **THE LOCAL SHARE OF THE TOTAL EMPLOYER CONTRIBUTION FOR LOCAL**  
26 **EMPLOYEES SHALL BE SHARED BY EACH COUNTY SUPPORTING THE REGIONAL**  
27 **COMMUNITY COLLEGE.**

28                   **2. EACH COUNTY'S SHARE SHALL BE PRORATED BY**  
29 **DIVIDING THE NUMBER OF FULL-TIME EQUIVALENT STUDENTS AS CALCULATED**  
30 **UNDER § 16-305(B)(7) OF THE EDUCATION ARTICLE FOR THE SECOND PRIOR**  
31 **FISCAL YEAR, WHO ARE ENROLLED AT THE REGIONAL COMMUNITY COLLEGE**  
32 **AND ARE RESIDENTS OF THE COUNTY, BY THE TOTAL NUMBER OF FULL-TIME**  
33 **EQUIVALENT STUDENTS AS CALCULATED UNDER § 16-305(B)(7) OF THE**  
34 **EDUCATION ARTICLE FOR THE SECOND PRIOR FISCAL YEAR WHO ARE**  
35 **RESIDENTS OF THE REGION.**

1           **(2) (I) THE DIFFERENCE BETWEEN THE TOTAL EMPLOYER**  
2 **CONTRIBUTION FOR LOCAL EMPLOYEES AND THE LOCAL SHARE OF THE TOTAL**  
3 **EMPLOYER CONTRIBUTION FOR LOCAL EMPLOYEES FOR EACH COUNTY SHALL**  
4 **BE THE OBLIGATION OF THE STATE.**

5           **(II) IN ADDITION TO ANY PAYMENTS MADE BY THE STATE**  
6 **UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE STATE SHALL PAY 100%**  
7 **OF THE AMOUNT DETERMINED UNDER SUBSECTION (B) OF THIS SECTION FOR**  
8 **THOSE MEMBERS OF THE TEACHERS' RETIREMENT SYSTEM OR TEACHERS'**  
9 **PENSION SYSTEM WHO ARE:**

10                   **1. FACULTY, PROFESSIONAL, OR CLERICAL**  
11 **EMPLOYEES OF BALTIMORE CITY COMMUNITY COLLEGE;**

12                   **2. FACULTY EMPLOYEES OF AN EDUCATIONAL**  
13 **INSTITUTION, OTHER THAN A COMMUNITY COLLEGE, SUPPORTED BY AND**  
14 **UNDER THE CONTROL OF THE STATE;**

15                   **3. STAFF EMPLOYEES OF THE UNIVERSITY SYSTEM**  
16 **OF MARYLAND, MORGAN STATE UNIVERSITY, OR ST. MARY'S COLLEGE OF**  
17 **MARYLAND WHO WERE MEMBERS OF THE TEACHERS' PENSION SYSTEM AS OF**  
18 **JANUARY 1, 1998, OR WHO TRANSFERRED FROM THE TEACHERS' RETIREMENT**  
19 **SYSTEM ON OR AFTER JANUARY 1, 1998; OR**

20                   **4. LOCAL EMPLOYEES HIRED ON OR BEFORE JUNE**  
21 **30, 2011.**

22           **[(c)] (D) (1)** As part of each actuarial valuation, the actuary shall  
23 determine the normal contributions, net of member contributions, on account of the  
24 State members of each State system.

25                   (2) For each State system, the normal contribution rate equals the  
26 fraction that has:

27                           (i) as its numerator, the sum of the normal contributions  
28 determined under this subsection; and

29                           (ii) as its denominator, the aggregate annual earnable  
30 compensation of the State members of the State system.

31           **[(d)] (E) (1)** Beginning July 1, 2001, each year the Board of Trustees  
32 shall set contribution rates for each State system that shall amortize:

1 (i) all unfunded liabilities or surpluses accrued as of June 30,  
2 2000, over 20 years; and

3 (ii) any new unfunded liabilities or surpluses that have accrued  
4 from July 1 of the preceding fiscal year over 25 years to reflect:

5 1. experience gains and losses;

6 2. the effect of changes in actuarial assumptions; and

7 3. the effect of legislation effective on or after July 1,  
8 2001.

9 (2) If the accrued liability is increased by legislation that provides for  
10 early retirement of State employees, the additional liability shall be funded over a  
11 period of 5 years beginning on:

12 (i) July 1, 1997 for legislation effective June 1, 1996; and

13 (ii) July 1, 1998 for legislation effective June 1, 1997.

14 (3) If the accrued liability is increased by legislation effective June 1,  
15 1998, that provides for the early retirement of employees of the University System of  
16 Maryland who are members of the Employees' Pension System or the Employees'  
17 Retirement System, the additional liability shall be determined by the actuary and  
18 funded over a period of 5 years beginning on July 1, 1999 by payment of an annual  
19 accrued liability contribution by the University System of Maryland and the Medical  
20 System as provided in § 21-307(h) and (i) of this subtitle.

21 [(e)] (F) (1) When the funding ratio for the employees' systems is  
22 between 90% and 110%, inclusive, the employees' system contribution rate is the rate  
23 for the previous fiscal year, adjusted to reflect legislative changes that result in  
24 changes in normal cost and to amortize over 25 years any actuarial liabilities of the  
25 employees' systems.

26 (2) Subject to paragraph (4) of this subsection, when the funding ratio  
27 for the employees' systems is below 90%, the employees' system contribution rate shall  
28 be the sum of:

29 (i) the employees' system contribution rate for the previous  
30 fiscal year; and

31 (ii) 20% of the difference between the preliminary funding rate  
32 for the current fiscal year and the employees' system contribution rate for the previous  
33 fiscal year.

1           (3) Subject to paragraph (4) of this subsection, when the funding ratio  
2 for the employees' systems is above 110%, the employees' system contribution rate  
3 shall be the difference between:

4                   (i) the employees' system contribution rate for the previous  
5 fiscal year; and

6                   (ii) 20% of the difference between the employees' system  
7 contribution rate for the previous fiscal year and the preliminary funding rate for the  
8 current fiscal year.

9           (4) The contribution rate for the employees' systems under paragraph  
10 (2) or (3) of this subsection shall be adjusted to reflect the cost or savings of legislative  
11 changes that result in changes in normal contributions or accrued liabilities and to  
12 amortize over 25 years any changes in accrued liabilities of the employees' systems.

13           **[(f)] (G)** (1) When the funding ratio for the teachers' systems is between  
14 90% and 110%, the teachers' system contribution rate is the rate for the previous fiscal  
15 year, adjusted to reflect legislative changes that result in changes in normal cost and  
16 to amortize over 25 years any actuarial liabilities of the teachers' systems.

17           (2) Subject to paragraph (4) of this subsection, when the funding ratio  
18 for the teachers' systems is below 90%, the teachers' system contribution rate shall be  
19 the sum of:

20                   (i) the teachers' system contribution rate for the previous fiscal  
21 year; and

22                   (ii) 20% of the difference between the preliminary funding rate  
23 for the current fiscal year and the teachers' system contribution rate for the previous  
24 fiscal year.

25           (3) Subject to paragraph (4) of this subsection, when the funding ratio  
26 for the teachers' systems is above 110%, the teachers' system contribution rate shall be  
27 the difference between:

28                   (i) the teachers' system contribution rate for the previous fiscal  
29 year; and

30                   (ii) 20% of the difference between the teachers' system  
31 contribution rate for the previous fiscal year and the preliminary funding rate for the  
32 current fiscal year.

33           (4) The contribution rate for the teachers' systems under paragraph  
34 (2) or (3) of this subsection shall be adjusted to reflect the cost or savings of legislative  
35 changes that result in changes in normal contributions or accrued liabilities and to  
36 amortize over 25 years any changes in accrued liabilities of the teachers' systems.

1 21-308.

2 (a) (1) ON OR BEFORE APRIL 1 OF EACH YEAR, THE STATE BOARD  
3 OF EDUCATION SHALL CERTIFY TO THE BOARD OF TRUSTEES THE FOLLOWING  
4 INFORMATION FOR THE NEXT FISCAL YEAR:

5 (I) THE TOTAL NUMBER OF LOCAL EMPLOYEES AS DEFINED  
6 IN § 21-304(A)(5)(I) AND (II) OF THIS SUBTITLE WHO ARE HIRED ON OR AFTER  
7 JULY 1, 2011; AND

8 (II) THE NUMBER OF LOCAL EMPLOYEES AS DEFINED IN §  
9 21-304(A)(5)(I) AND (II) OF THIS SUBTITLE WHO ARE HIRED ON OR AFTER JULY  
10 1, 2011, DISAGGREGATED BY COUNTY OF EMPLOYMENT.

11 (2) ON OR BEFORE APRIL 1 OF EACH YEAR, THE MARYLAND  
12 HIGHER EDUCATION COMMISSION SHALL CERTIFY TO THE BOARD OF  
13 TRUSTEES THE FOLLOWING INFORMATION FOR THE NEXT FISCAL YEAR:

14 (I) THE TOTAL NUMBER OF LOCAL EMPLOYEES AS DEFINED  
15 IN § 21-304(A)(5)(III) OF THIS SUBTITLE WHO ARE HIRED ON OR AFTER JULY 1,  
16 2011; AND

17 (II) THE NUMBER OF LOCAL EMPLOYEES AS DEFINED IN §  
18 21-304(A)(5)(III) OF THIS SUBTITLE WHO ARE HIRED ON OR AFTER JULY 1,  
19 2011, DISAGGREGATED BY COUNTY OF EMPLOYMENT.

20 (3) THE BOARD OF TRUSTEES SHALL USE THE INFORMATION  
21 PROVIDED IN PARAGRAPHS (1) AND (2) OF THIS SUBSECTION TO DETERMINE  
22 THE LOCAL SHARE OF THE TOTAL EMPLOYER CONTRIBUTION FOR LOCAL  
23 EMPLOYEES.

24 [(1)] (4) On or before December 1 of each year, the Board of Trustees  
25 shall:

26 (i) certify to the Governor and the Secretary of Budget and  
27 Management the rates to be used to determine the amounts to be paid by the State to  
28 the accumulation fund of each of the several systems during the next fiscal year; and

29 (ii) provide to the Secretary of Budget and Management a  
30 statement of the total amount to be paid to the Teachers' Retirement System and the  
31 Teachers' Pension System expressed as a percentage of the payroll of all members of  
32 those State systems **REDUCED BY THE AMOUNT OF THE LOCAL SHARE OF THE**

1 **TOTAL EMPLOYER CONTRIBUTIONS FOR LOCAL EMPLOYEES PAID BY COUNTY**  
2 **GOVERNMENTS UNDER § 21-304(C) OF THIS SUBTITLE.**

3 **[(2)] (5)** The Governor shall include in the budget bill:

4 (i) the total amount of the State's contribution to each State  
5 system as ascertained based on the rates certified by the Board of Trustees under  
6 paragraph **[(1)] (4)** of this subsection;

7 (ii) the additional amounts as ascertained under subsection (d)  
8 of this section for the State's payment to the professional and clerical employees of the  
9 Department of Public Libraries of Montgomery County who are members of the  
10 Employees' Retirement System of Montgomery County and are excluded from  
11 membership in the Teachers' Retirement System or the Teachers' Pension System;  
12 and

13 (iii) any additional amount required to be in the budget bill  
14 under § 3-501(c)(2)(ii) of this article.

15 (3) The amounts that the Governor is required to include in the budget  
16 bill under paragraph **[(2)] (5)** of this subsection shall be reduced by the amount of  
17 administrative and operational expenses for the Board of Trustees and the State  
18 Retirement Agency that are to be paid by local employers under § 21-316 of this  
19 subtitle other than participating governmental units or employers who are required to  
20 make contributions under § 21-307 of this subtitle.

21 (4) (i) On or before December 1, 2012, and each December 1  
22 thereafter, the Board of Trustees shall certify to the Governor and the Secretary of  
23 Budget and Management the amount of the difference between the total amount of the  
24 State's contribution required under paragraph **[(2)] (5)** of this subsection and the  
25 amount that the Board determines would have been required had legislation  
26 increasing employee contributions to, and reducing the liabilities of, the State  
27 Retirement and Pension System not been enacted in 2011.

28 (ii) For fiscal year 2014 and each fiscal year thereafter, in  
29 addition to the amounts required under paragraph **[(2)] (5)** of this subsection, the  
30 Governor shall include in the budget bill the lesser of:

31 1. \$300,000,000; and

32 2. the amount certified under subparagraph (i) of this  
33 paragraph.

34 (b) (1) (i) As to members of the several systems whose compensation is  
35 paid by the State, the Comptroller shall compute the amounts to be charged to the  
36 appropriation of each unit as the unit's share of retirement costs for its employees.

1 (ii) The Comptroller shall make the computation under  
2 subparagraph (i) of this paragraph using the total rates of contributions as set by the  
3 actuary under § 21–304 of this subtitle.

4 (2) As to members of the Teachers' Retirement System or the  
5 Teachers' Pension System whose compensation is not paid by the State, on September  
6 30, December 31, May 31, and April 15 of each year, the State Department of  
7 Education and the Maryland Higher Education Commission shall certify to the  
8 Comptroller 25% of the amount appropriated in the budget of those units for employer  
9 contributions **REDUCED BY THE AMOUNT OF THE LOCAL SHARE OF THE TOTAL**  
10 **EMPLOYER CONTRIBUTIONS FOR LOCAL EMPLOYEES PAID BY COUNTY**  
11 **GOVERNMENTS UNDER § 21–304(C) OF THIS SUBTITLE.**

12 (c) (1) As payrolls are paid, the Comptroller shall issue a warrant or  
13 warrants to the State Treasurer in the amounts to be charged under subsection (b)(1)  
14 of this section against the budgets of the units.

15 (2) On or before October 1, January 1, June 1, and April 16 of each  
16 year, the Comptroller shall issue a warrant or warrants to the State Treasurer for the  
17 amounts certified to the Comptroller under subsection (b)(2) of this section.

18 (3) On the receipt of the warrant of the Comptroller, the State  
19 Treasurer immediately shall transfer to the appropriate State system the amounts  
20 due.

21 (d) (1) (i) The State Superintendent of Schools shall determine the  
22 amount that equals the applicable percentage as determined under subparagraph (ii)  
23 of this paragraph of the payroll of the professional and clerical employees of the  
24 Department of Public Libraries of Montgomery County who are members of the  
25 Employees' Retirement System of Montgomery County and are excluded from  
26 membership in the Teachers' Retirement System or the Teachers' Pension System.

27 (ii) The applicable percentage under subparagraph (i) of this  
28 paragraph is the lesser of:

29 1. the State's contribution percentage for the Teachers'  
30 Retirement System and the Teachers' Pension System, as certified by the Board of  
31 Trustees; or

32 2. the percentage of the payroll of its employees that  
33 Montgomery County has contributed to the Employees' Retirement System of  
34 Montgomery County, as determined by an actuarial valuation.

35 (2) The amount determined under paragraph (1) of this subsection  
36 shall be:

1 (i) included in the budget estimate for the Superintendent of  
2 Schools;

3 (ii) certified by the State Superintendent of Schools to the State  
4 Comptroller; and

5 (iii) paid to Montgomery County as provided in this subsection.

6 (3) The Comptroller shall issue a warrant or warrants to the State  
7 Treasurer for the amount to be paid Montgomery County under this subsection.

8 (4) On the receipt of the warrant of the Comptroller, the State  
9 Treasurer shall pay to the treasurer of Montgomery County the amount due.

10 (e) For each nonclerical and nonprofessional former Community College of  
11 Baltimore employee who chose to remain a member of the Baltimore City Retirement  
12 Plan, the State shall contribute annually to the Baltimore City Retirement Plan on  
13 behalf of the employee an amount equal to the lesser of the contribution the State  
14 would otherwise have made on behalf of each employee of the State to the Employees'  
15 Pension System or the rate required for the Baltimore City Retirement Plan.

16 **21-309.1.**

17 (A) **ON OR BEFORE JUNE 1 OF EACH YEAR, THE BOARD OF TRUSTEES**  
18 **SHALL CERTIFY TO EACH COUNTY THE STATE'S NORMAL CONTRIBUTION RATE**  
19 **AND THE STATE'S ACCRUED LIABILITY CONTRIBUTION RATE AND THE AMOUNTS**  
20 **PAYABLE UNDER § 21-304(C) OF THIS SUBTITLE.**

21 (B) (1) **ON SEPTEMBER 30, DECEMBER 31, APRIL 15, AND MAY 31,**  
22 **EACH COUNTY SHALL PAY TO THE BOARD OF TRUSTEES 25% OF THE AMOUNT**  
23 **OF THE CHARGES CERTIFIED TO THE COUNTY BY THE BOARD OF TRUSTEES**  
24 **UNDER SUBSECTION (A) OF THIS SECTION.**

25 (2) **IF A COUNTY DOES NOT PAY THE AMOUNTS CERTIFIED UNDER**  
26 **THIS SECTION WITHIN THE TIME REQUIRED, IT IS LIABLE FOR:**

27 (I) **A PENALTY OF 10% OF THE AMOUNT DUE; AND**

28 (II) **INTEREST ON DELINQUENT AMOUNTS AT 10% A YEAR**  
29 **UNTIL PAYMENT.**

30 (3) **THE SECRETARY OF THE BOARD OF TRUSTEES MAY ALLOW A**  
31 **GRACE PERIOD FOR PAYMENT OF THE AMOUNTS CERTIFIED UNDER THIS**  
32 **SECTION NOT TO EXCEED 10 CALENDAR DAYS.**

1                   **(4) ON NOTIFICATION BY THE SECRETARY OF THE BOARD OF**  
2 **TRUSTEES THAT A DELINQUENCY EXISTS, THE COMPTROLLER IMMEDIATELY**  
3 **SHALL EXERCISE THE RIGHT OF SETOFF AGAINST ANY MONEY DUE OR COMING**  
4 **DUE TO THAT COUNTY FROM THE STATE.**

5                   **(C) ON RECEIPT OF EACH OF THE PAYMENTS FROM EACH COUNTY, THE**  
6 **BOARD OF TRUSTEES SHALL CREDIT THESE AMOUNTS TO THE ACCUMULATION**  
7 **FUND OF THE APPROPRIATE STATE SYSTEM.**

8                   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
9 July 1, 2012.